

Message Text

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ACTION STR-04

INFO OCT-01 ARA-06 IO-13 ISO-00 STRE-00 FEA-01 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 EB-07 FRB-03 H-02

INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02

OMB-01 OIC-02 /102 W

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R 191810Z JUL 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC 1770

INFO AMEMBASSY MEXICO

LIMITED OFFICIAL USE SECTION 1 OF 2 MTN GENEVA 5758

ACTION STR

H PASS CODEL

E.O. 11652: N/A

TAGS: ETRD, MTN

SUBJECT: QR BILATERAL WITH MEXICO

REF: (A) MTN GENEVA 5315; (B) STATE 170611

1. SUMMARY: US MTN DEL HAD USEFUL EXCHANGE OF VIEWS WITH MEXICAN DEL ON MEXICAN IMPORT LICENSING PROGRAM. IN RESPONSE TO US COMMENTS, MEXICO PROVIDED CLARIFICATION OF ITS SUGGESTED CHANGES (MTN/NTM/W/11/ADD.8) TO DRAFT TEXTS ON IMPORT LICENSING PROCEDURES (MTN/NTM/W/2/ANNEX I AND II) BEING CONSIDERED BY MTN QR SUBGROUP. END SUMMARY.

2. DISCUSSION OF MEXICAN IMPORT LICENSING SYSTEM: AT MEXICAN REQUEST, US MTN DEL MET WITH MEXICAN DIRECTOR
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GENERAL OF MINISTRY OF COMMERCE AND INDUSTRY ANTONIO

GAZOL, AND ECONOMIC COUNSELLOR TELLO TO DISCUSS MEXICO'S IMPORT LICENSING SYSTEM AND CURRENT LICENSING WORK IN MTN SUBGROUP ON QUANTITATIVE RESTRICTIONS. US REP (NEW KIRK) OBSERVED THAT LICENSING SYSTEMS CAN BE CATEGORIZED IN THREE TYPES: A) DISCRETIONARY LICENSING, USED TO CONTROL THE LEVEL OF IMPORTS; B) AUTOMATIC LICENSING, USED FOR SUCH PURPOSES AS GATHERING STATISTICS, WITH LICENSES BEING GRANTED IN ALL CASES; AND C) LICENSING TO ADMINISTER IMPORT RESTRICTIONS, USED TO IMPLEMENT AN IMPORT RESTRICTION. US STATED DRAFT TEXTS UNDER CONSIDERATION BY SUBGROUP DEAL ONLY WITH LATTER TWO CATEGORIES, WITH OBJECTIVE OF MINIMIZING POSSIBLE RESTRICTIVE EFFECT OF THESE PROCEDURES.

3. US INDICATED THAT WE HAVE RECEIVED A LARGE NUMBER OF COMPLAINTS FROM OUR TRADE ADVISORY COMMITTEES CONCERNING THE MEXICAN LICENSING SYSTEM. ALTHOUGH MAJORITY OF THESE COMPLAINTS ARE AIMED AT DISCRETIONARY LICENSING SYSTEM, COMPLAINTS ALSO HAVE BEEN RECEIVED CONCERNING ADMINISTRATIVE DELAYS IN ISSUANCE OF LICENSES. US REPEATEDLY OFTEN MENTIONED DESIRE THAT MEXICO ELIMINATE ITS DISCRETIONARY LICENSING SYSTEM AND, IF NECESSARY, REPLACE IT WITH MORE VISIBLE AND LESS ADMINISTRATIVELY BURDENSOME TARIFFS.

4. GAZOL RESPONDED THAT IMPORT LICENSING SYSTEM WAS ESSENTIAL SINCE ITS PRIMARY PURPOSE IS TO CHANNEL IMPORTS TO ASSIST IN IMPLEMENTING MEXICO'S ECONOMIC DEVELOPMENT OBJECTIVES. ANY RESTRICTIVE IMPACT ON IMPORTS WAS SECONDARY. GAZOL QUERIED US DELEGATE AS TO HOW MEXICO WOULD BENEFIT FROM A CONVERSION OF ITS IMPORT LICENSING SYSTEM TO TARIFF PROTECTION. US RESPONDED BY STATING BENEFITS WOULD BE TWOFOLD: 1) IN STRICT ECONOMIC TERMS THROUGH A BETTER ALLOCATION OF RESOURCES RESULTING FROM MORE RELIANCE ON MARKET FORCES AND 2) MEXICO COULD EXPECT COMPENSATION FOR THESE ALTERNATIVES IF THEY WERE UNDERTAKEN DURING COURSE OF MTN.

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5. US THEN INQUIRED AS TO MEXICO'S INTEREST IN DRAFT TEXTS ON AUTOMATIC LICENSING AND LICENSING TO ADMINISTER IMPORT RESTRICTIONS SINCE MEXICAN SYSTEM OF DISCRETIONARY LICENSING NOT COVERED BY THESE TEXTS. GAZOL INDICATED THAT MEXICAN IMPORT LICENSING SYSTEM IS CONSTANTLY CHANGING WITH DEVELOPMENT OF ITS ECONOMY. SOME IMPORTS ARE ALREADY EXEMPT FROM LICENSES WHILE OTHERS ARE SUBJECT TO AUTOMATIC IMPORT LICENSING. GAZOL

BELIEVED THAT GATT TREATMENT OF IMPORT LICENSING WAS ALSO CHANGING, FOLLOWING ADDITION OF PART IV TO GATT AND AGREEMENT ON SPECIAL AND DIFFERENTIAL TREATMENT IN TOKYO DECLARATION, AND THAT THIS WAS WHY MEXICO WAS NOW CONSIDERING GATT MEMBERSHIP. PERHAPS OVER A 10-15 YEAR PERIOD, THE EVOLVING MEXICAN LICENSING SYSTEM AND EVOLVING GATT TREATMENT COULD MOVE CLOSER TOGETHER.

6. DISCUSSION OF MEXICAN SUGGESTED CHANGES TO DRAFT LICENSING TEXTX: US COMMENTS ON MEXICAN CHANGES WERE ALONG LINES OF PAGES 5-7 OF POSITION PAPER ON SIMPORT LICENSING PROCEDURES FOR THE JULY 12 MEETING OF THE QR SUBGROUP (TPSC 76-33). MEXICO MADE GENERAL OBSERVATION THAT LACK OF PRECISE DEFINITION OF "AUTOMATIC LICENSING SYSTEM" MAY LEAD TO AMBIGUITIES IN COVERAGE OF TEXT. SUCH DEFINITION, IN MEXICAN VIEW, SHOULD BE WITHOUT REFERENCE TO GATT ARTICLES SINCE TOKYO ROUND IS OF BROADER APPLICATION (I.E. NON-GATT MEMBERS). MEXICAN CLARIFICATIONS ON THEIR PROPOSALS WERE AS FOLLOWS:

A) DRAFT TEXT ON AUTOMATIC IMPORT LICENSING:

PARA. 4: MEXICO AGREED IN PRINCIPLE WITH CONCEPT OF NON-DISCRIMINATION BETWEEN SOURCES OF IMPORTS, BUT NOTED THAT SUCH DISCRIMINATION DESIRABLE IF IT WERE IN ACCORDANCE WITH A UN RESOLUTION, I.E. EMBARGO OF RHODESIAN MERCHANDISE, OR PART OF AN INTERNATIONAL AGREEMENT FOR MARKET INTEGRATION (I.E. LAFTA). US OBSERVED THAT GATT RULES WERE RARELY APPLIED IN POLITICAL SITUATIONS AND GATT ARTICLE XXIV OPEN TO VARIOUS INTERPRETATIONS AS TO PERMISSABILITY OF DISCRIMINATION.

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R 191810Z JUL 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC 1771

INFO AMEMBASSY MEXICO

LIMITED OFFICIAL USE SECTION 2 OF 2 MTN GENEVA 5758

ACTION STR

H PASS CODEL

PARA. 6-8: MEXICAN REP BELIEVED DIFFERENCES WITH US ON THESE PARAGRAPHS A MATTER OF FORM, NOT SUBSTANCE. MEXICO AGREES THAT LICENSING PROCEDURES SHOULD BE SIMPLE, HOWEVER, THEY ALSO WISH TO ENSURE THAT LICENSING PROCEDURES PERMIT COLLECTION OF NECESSARY INFORMATION WHETHER INFORMATION IS COMMERCIAL INVOICE OR OTHER DOCUMENT. IN ADDITION, MEXICO BELIEVES GOVERNMENT AGENCIES HAVE RIGHT TO CONSULT, IF NECESSARY, ON LICENSE APPLICATION, ALTHOUGH AGREED THAT CENTRAL INSTITUTION SHOULD BE DESIGNATED TO RECEIVE LICENSING APPLICATIONS.

B) DRAFT TEXT ON LICENSING TO ADMINISTER IMPORT RESTRICTIONS:

PARA. 1: AGAIN, MEXICO CONCERNED WITH HAVING LIMITED OFFICIAL USE

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FLEXIBILITY IN POLITICAL SITUATION AS IN PARA. 4 OF AUTOMATIC IMPORT LICENSING TEXT.

PARA. 12: MEXICO INTERESTED IN HAVING A PROVISION THAT WOULD PERMIT A REVISION OF QUOTA IF NECESSARY. MEXICO CHARACTERIZED ITS SYSTEM AS UNIQUE IN THAT QUOTAS ALLOCATED TO IMPORTERS AND NOT SOURCES OF SUPPLY.

PARA. 13: MEXICO BELIEVES IT IS NOT NECESSARY TO REQUIRE OBLIGATORY CHECK AS TO WHETHER LICENSES PREVIOUSLY ISSUED HAVE BEEN USED.

PARA. 15: US NOTED THAT PROVISION FOR ENSURING REASONABLE DISTRIBUTION OF LICENSES TO NEW IMPORTERS WAS DESIGNED TO TAKE LDC INTERESTS INTO ACCOUNT. MEXICAN REP WAS PLEASED THAT SPECIAL ACCOUNT GIVEN TO IMPORTS FROM DEVELOPING COUNTRIES. GAZOL INDICATED THAT MEXICO WOULD HAVE FURTHER COMMENTS AND PROPOSALS ON S&D AT A LATER DATE.

7. COMMENT: DISCUSSION VERY CORDIAL AND INFORMATIVE.

US DEL NOTES MEXICAN INTEREST IN LICENSING TEXT, I.E. SUBMITTING EXTENSIVE COMMENTS AND SENDING HIGH-LEVEL EXPERT TO MTN MEETING, AND WONDERS WHETHER THIS INTEREST AN INDICATION OF POSSIBLE MEXICAN RECEPTIVITY TO CHANGE OR CONCERN WITH MOUNTING PRESSURE TO ALTER THEIR SYSTEM. END COMMENT. WALKER

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